

**DEPARTMENT OF WATER RESOURCES**

1416 NINTH STREET, P.O. BOX 942836  
SACRAMENTO, CA 94236-0001  
(916) 653-5791



**MAR - 5 2014**

Mr. Terry Erlewine  
General Manager  
State Water Contractors  
1121 L Street, Suite 1050  
Sacramento, California 95814-3944

Dear Mr. Erlewine:

This is in response to your letter of January 28, 2014, regarding Bay Delta Conservation Plan (BDCP) Conservation Measure 1 (CM1) cost allocation and financing among the State Water Project (SWP) Contractors and requesting the Department of Water Resources (DWR) initiate contract discussions to address these topics.

We acknowledge that formal, public contract negotiations will be required if an amendment of the SWP water supply contracts is needed for implementing repayment options for BDCP. We also acknowledge that these negotiations may include discussions of water management policies that could provide management measures to facilitate financing BDCP CM1 and that the North of Delta SWP contractors may be largely excluded from BDCP CM1 repayment obligations.

DWR will be initiating the formal process for these contract negotiations in the near term. If you have any questions, please contact Carl Torgersen at (916) 653-8043.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark W. Cowin".

Mark W. Cowin  
Director